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21 August 1951

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39

DAILY DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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SECTION 1 (SOVIET)

1. USSR. Embassy reports curbs on foreign air travel within USSR: Embassy Moscow considers it possible that a large airlift into Siberia and the Far East may be the cause of added travel restrictions which have been imposed on members of its military staff.

The trend was first observed a month ago and travel eastward is hardest hit. Other directions affected include Odessa. The official Soviet excuse for placing curbs on air travel is the need to give priority to the movement of freight, the consequent diversion of aircraft for hauling cargo and the resulting shortage of passenger space. (S Moscow Weeka 33 17 Aug 51).

Comment: Restrictions on the movements of the Embassy staff within the USSR are of long standing and are part of the Soviet internal security pattern. However, recent added restrictions on air travel could be due to an airlift to the Far East in view of the USSR's commitments to aid Communist China.

2. NEWS resumes softer tone in Moscow's dual propaganda: The most notable articles in the third issue of News, the Soviet English-language journal supposedly dedicated to the improvement of East-West relations, denied any change whatsoever in Soviet foreign policy, urged US-USSR trade expansion, and editorialized on the principle of non-interference in the internal affairs of other countries. Another article denied that the USSR failed to demobilize after the war and asserted that the present strength of the Soviet armed forces is approximately the same as in 1939.

Field comment: Embassy Moscow noted that, apart from familiar insinuations that US policy is detrimental to the interests of many countries and to Britain in particular, the News editorial seemed to imply that harsh judgments of each other's economic and political systems should not prevent two sides from working out trade and political arrangements. The emphasis on Soviet-American trade reveals the Kremlin's hopes for removal of US controls. (R Embassy Moscow 291, 17 Aug 51).

Comment: The pinch of trade reprisals against iron curtain countries probably accounts for the softer line employed in the articles pleading for East-West trade. However, there is no dearth of the "hate-America" and "war-scare" themes in the propaganda output of other Soviet media.

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3. Russians claim US annulment of trade pact causes discord: The Soviet Union's note of 19 August on the US decision to cancel the 1937 trade pact makes the point that the US was the one to request renewal of the agreement in 1942 for an indefinite period. The note also states that American renunciation contradicts the alleged desire for improvement of Soviet-American relations which was expressed by the US in the Truman-Shvernik exchange. (U New York Times, 20 Aug 51).

Comment: The Soviet protest, coming almost two months after the US notified the USSR of its action, was probably delayed until the Soviet Government had decided on the form of its reply to President Truman's message and the Congressional resolution.

4.

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5. Moscow visits of Soviet officials from Pakistan may be related to expansion of Soviet activities: The Karachi press reported that M. M. Volkov, Second Secretary in charge of Cultural Affairs of the Soviet Embassy, left on 12 July for a temporary visit to Moscow. Volkov was described as a specialist in South Asian affairs and one of the most active members of the Embassy. US Embassy Karachi noted that the USSR Ambassador to Pakistan, A. G. Stetsenko, and Trade Counselor Broojas, who left on

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17 May and 14 June, respectively, are still absent and are presumably in Moscow. (R Karachi 1843, 13 July 51).

Comment: Observers in South Asia have recently noted the strides made by the Communists in reversing the traditional trade routes in the area in favor of closer ties with the Soviet bloc. In view of the apparent success of this policy, the presence in Moscow of the Soviet Ambassador to Karachi together with Soviet officials in charge of economic and cultural affairs suggests further efforts to extend Soviet influence along these lines.

6. Kremlin barter for return of children claimed as Soviet citizens: The Soviet Government has offered to allow "Soviet citizen" Maria Pyrz to leave the Soviet Union if some children previously claimed as Soviet citizens will be "permitted" to leave the US.

Field comment: Maria Pyrz is a US citizen who desired to leave the Soviet Union but was refused permission by the Soviet Government. In 1948 the Kremlin made a similar offer to exchange certain persons of US citizenship for these same children claimed by the Soviet Union. The present barter offer is believed to be inspired not by humanitarian considerations but by a desire to build up the current propaganda charge that it is the US which impedes freedom of movement of persons. (C Moscow 242, 10 Aug 51; C SD to Moscow A-40, 17 Aug 51).

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7. EASTERN EUROPE. POLAND. Reported plans for marked expansion of Polish Merchant Marines: [redacted] the primary objective of the Polish Merchant Marine is to expand its present 270,000-ton fleet to 600,000. To achieve this goal, Poland must resort to the purchase of shipping from outside the orbit. The expanded fleet of ships is expected to nearly double the 12 ships currently plying the China trade routes.

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[redacted] Soviet control of the Polish Merchant Marine was initiated during discussions between the USSR and Poland in October, 1949, ultimately resulting in a reorganized Polish Merchant Marine. Since these discussions, former personnel have been gradually replaced by new officers and men. [redacted]

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Comment: Other sources have reported the reorganization of the Polish Merchant Marine at the beginning of 1951, as well as increasing Soviet control over most of its activities.

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8. ROMANIA. Swiss-Rumanian trade agreement signed: The Rumanian press has announced the conclusion of a one year trade agreement with Switzerland. According to the Bucharest announcement, Switzerland will export machine tools, miscellaneous installations and machinery, electrical equipment, instruments, dyes, and pharmaceutical products in return for Rumanian cereals, fodder plants, lumber, chemicals and fuel oil.

The US Legation in Bucharest understands, but has been unable to confirm, that an agreement was simultaneously concluded whereby Rumania agreed to payment of about 20 percent of the claims of Swiss citizens for property nationalized by the Rumanian Government. (U Bucharest 67, 10 Aug 51; C Bucharest 80, 13 Aug 51).

Comment: Trade and financial negotiations begun in November 1950 between the Swiss and Rumanians were terminated, reportedly because of Rumanian intransigence over Swiss claims for compensation for nationalized property. A Swiss delegation returned to Bucharest in April.

Conclusion of a trade agreement undoubtedly indicates that arrangements acceptable to both sides on controversial issues have been made, including, in addition to nationalized property claims, some adjustment of the Rumanian Government assertion that funds deposited in Swiss banks by former Foreign Minister Cretzianu were official rather than private funds.

The US Legation in Bucharest had previously been informed by the Swiss Charge in Bucharest that Switzerland did not contemplate including in its export items "strategic war material" but would consider meeting Rumanian demands for Swiss equipment for two power stations.

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SECTION 2 (EASTERN)

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1. IRAN. Internal opposition to the present Iranian Cabinet reportedly developing:
 25X1C Mullah Kashani, a top religious leader in Iran, is reportedly involved in a cam-
paign to undermine the present Prime Minister. Kashani, [redacted]
 [redacted] has indirect contacts with the Soviet Embassy. He is represent-
 ed as having told the embassy that, with the government facing an imminent finan-
 cial crisis, now is a "propitious" time to show Soviet good will by returning the
 Iranian gold it has held since its occupation of Iran during World War II. Other
 reports state that he is interested in the abolition of the monarchy as a useless
 anachronism and the establishment of a federation of Islamic republics under Sov-
 iet influences. [redacted] [redacted]

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Comment: Kashani is a rabble-rouser and an opportunist. Presumably, Ka-
 shani's efforts to secure the return of Iranian gold would imply the institution
 of a government more amenable to Soviet influence. Contacts between Kashani and
 the USSR have been rumored before.

While he has continued to support the present Prime Minister to whose Na-
 tional Front Party he belongs, Kashani has recently been particularly vocal in
 urging a united Islam, and these speeches may have given rise to the above re-
 port.

The opposition of various Iranian elements hostile to the present govern-
 ment is not yet sufficiently strong to bring about the fall of the Prime Min-
 ister.

2. INDIA. First Indian-made aircraft undergoes trial flights: The first Indian-
 made aircraft, a basic trainer produced by Hindustan Aircraft, Ltd., made
 successful trial flights in mid-August. (S New Delhi, Weeka 33, 17 Aug 51).

3. PAKISTAN. Lebanon mediating in Kashmir dispute: The Lebanese Minister to
 Karachi is mediating between Pakistan and India in an attempt to settle the
 Kashmir problem, according to a broadcast from Cairo on 19 August. (U FBID
 Ticker, Beirut, 19 Aug 51).

Comment: There is no evidence that Lebanon is actually mediating between
 India and Pakistan. India has refused previous offers of mediation or good
 offices. Pakistan, however, has been seeking the support of other countries
 against India, and the Lebanese Minister is probably doing what he can to ease
 the situation.

4. INDONESIA. Overseas Chinese "sightseeing group" bound for tour of Communist
China: The first large-scale organized delegation of Chinese in Indonesia to

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visit China since the Communist victory is currently en route to Canton. The group numbers 64 Chinese, 33 of them Indonesian-born, who were selected from all parts of Indonesia. The tour will last approximately four months, and the delegates will proceed from Canton to Hankow and Peiping, thence to Darlen, Mukden, and Harbin, and finally to Tientsin, Tsinan, and Hangchow. Presumably they will get a red carpet tour and will return to Indonesia to act as apostles of the new China. (R Hong Kong 668, 16 Aug 51).

Comment: Anti-Communist sentiment among Chinese in Indonesia has increased surprisingly during the past six months. Pro-Nationalist newspapers are quite vocal, and in several cities the Communists have been unsuccessful in achieving control of the local Chinese associations.

5. Celebes guerrilla force rejects scheduled incorporation into Army: The Defense Ministry has confirmed the report that Kahar Muzakar has ordered his 4,000 guerrillas back to the jungle in the South Celebes. By doing so, he cancelled the ~~expected~~ incorporation, on 17 August, into the Republican Army. The East Indonesian Territorial Commander, in announcing failure of settlement with the guerrillas, stated that the armed forces have obtained proof that "there are still certain elements which desire to exploit the guerrilla issue in an effort to further a certain purpose." (R FBID Ticker Djakarta, 18 Aug 51; R FBID Ticker Makassar, 17 Aug 51).

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Comment: [redacted] reported in March that the Communists had been successful in hindering the government's efforts to restore internal security in the South Celebes.

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6. BURMA. Chinese Communists reported preparing for Indochina invasion: [redacted] troops of the Chinese Communist 39th Division are assembling in the Fohai area of southern Yunnan where they are collecting food and telling local inhabitants that they will attack Indochina during September. (S SOPD 381, Bangkok C-6, 17 Aug 51).

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Comment: The presence of the 39th Division in the Fohai area has been reported [redacted]. The above information also appears to support a [redacted] that the Chinese Communists are planning operations against Li Mi's Nationalist forces in Burma and Thailand which would be launched from Yunnan and northern Indochina in cooperation with Ho Chi Minh. If the Chinese Communists, however, are prepared to undertake overt operations anywhere in Southeast Asia, the possibility of their attempting to sweep through the entire area instead of restricting themselves to limited objectives should not be discounted.

7.

Ne Win returns: Lt. General Ne Win resumed his duties as Supreme Commander of Burma's armed forces on 14 August after a month's leave. (S Rangoon 59, 18

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Aug 51).

Comment: This action ends all speculation, for the time being at least, regarding Ne Win's imminent removal from office. It is likely, however, that Defense Minister U Win and the Socialists have reduced the general's influence and now exercise a greater degree of control over the armed forces than they did previously.

8. Burma may attend San Francisco conference: The US Embassy in Rangoon reports that the Burmese Government may reverse itself and accept the invitation to the Japanese peace conference in view of the Soviet Union's decision to attend. The Burmese might feel that the Soviet Union's presence would permit Burmese attendance by removing the possibility of antagonizing Communist China. The embassy points out, however, that such action would not necessarily signify a willingness to sign the treaty. (S Rangoon 199, 18 Aug 51).

Comment: In the matter of the Japanese peace treaty, Burmese fears of incurring Chinese Communist ill-will have not been completely allayed and will continue to affect a decision as to whether or not to attend the conference.

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9. THAILAND. General Phao commences tour: The Director General of the Thai police, Phao Sriyanon, left Bangkok on 15 August to tour Europe and the US. R FBID Taipei, 15 Aug 51).

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Comment: Phao has for some time intended to visit the King in Switzerland, but the recent coup attempt delayed his departure. He undoubtedly hopes to win Royal favor and thereby considerably enhance his prestige in preparation for becoming, some day, Thailand's Premier and de facto ruler.

10. INDOCHINA. Vietnam official says press concern re Japanese treaty is government-inspired: The press chief of the North Vietnam Information Service told a US vice-consul that the Central Government has ordered his service to "make enough noise" to keep the Japanese treaty issue before the public. The source said that as a result many Vietnamese are now interested in whether Vietnam will be invited to the treaty conference, but that a greater number take the view that if Vietnam's participation is vetoed on the ground that Vietnam lacks independence, the French may be pressured into granting further concessions. The source stated that people in North Vietnam are far more worried about mobilization and earning a living than about the treaty issue. (S Hanoi 105, 20 Aug 51).

Comment: This report tends to confirm earlier evidence that the alleged concern of the Vietnamese with the treaty issue consists largely of a governmental attempt to distract public attention from domestic issues by magnifying international relations.

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11. CHINA. Appointment indicates growing importance of China's aviation industry: An indication of the growing importance of China's aviation industry is the recent appointment of a veteran Chinese Communist military leader as director of the Aviation Industry Bureau under the Ministry of Heavy Industry. The new director is Ho Chang-jung, concurrently Vice Minister of Heavy Industry. The former director, according to the same Peiping broadcast which announced Ho's appointment, was demoted to deputy director. (U Hong Kong 703, 17 Aug 51).

Comment: The first mention of the Aviation Industry Bureau in Communist broadcasts was in June 1951. It is improbable that the Chinese have facilities for more than assembly and minor repair of aircraft. An early [redacted] claimed that such facilities were set up recently at Taiyuan in North China.

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12. Violence declining in "suppression of counter-revolutionaries" campaign: The US Consul General in Hong Kong notes that, of 923 alleged "counter-revolutionaries" reported in the Communist press as sentenced during 3 to 9 August, only 19 were reported as executed. This evidence of the declining violence of the suppression campaign is supported [redacted] 25X1X

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[redacted] advice given Mayor Ch'en Yi by the Shanghai Chamber of Commerce to the effect that the "execution with fanfare" policy was "seriously affecting" popular morale. The US Consul General concludes that, although other recent arrivals from Shanghai have not noticed a decline in executions, the weight of evidence indicates that this is so. (S Hong Kong 694, 17 Aug 51).

Comment: Communist and other sources indicate that the percentage of those executed has declined considerably in recent weeks. Nevertheless, the campaign continues without discernible decrease in scope, and its purpose is precisely that of "seriously affecting" popular morale, i.e., convincing the Chinese people that present or future opposition to the regime is hopeless. The Communists aim to make their subjects totally subservient, and are clearly prepared to kill several million Chinese to that end.

13. Chinese Communist agents for Southeast Asia to be trained: An Overseas Chinese Institute opened on 20 August at Nan Fang University in Canton and is accepting "politically pure" overseas Chinese students between the ages of 18 and 30. Entrance standards are low, and the students are to be maintained by the State. The US Consul General in Hong Kong comments that the Institute is likely to emphasize political rather than academic training and may become an important source of cadres for subversive work among the overseas Chinese in Southeast Asia. (S Hong Kong 694, 17 Aug 51).

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Comment: Undoubtedly a major objective of the new Institute is the training of young persons for both overt and covert assignments in South-east Asia.

14. Peiping issues new security regulations: Communist China's Ministry of Public Security has issued additional regulations controlling hotels, amusement places and printing and engraving shops. Hotels are not permitted near military organizations of any kind, and must submit their guest registers daily. Printing firms must have permission to print official forms for any government agency or to make official seals—obviously an effort to prevent the forging of official documents. (S Hong Kong 694, 17 Aug 51).

Comment: The Daily Digest of 14 August reported earlier regulations strengthening the regime's police controls. Every aspect of the lives of Peiping's subjects will be affected by these burgeoning security measures.

15. KOREA. Weather may explain inactivity in North Korean airfield construction: The US Far Eastern Command, commenting on the sharp decline during the last few weeks in airfield construction activity in North Korea, observes that the weather "has been particularly inappropriate for construction" of airfields. FECOM cautions, however, that extensive UN air action against Communist airfields, coupled with the Communist ability to launch effective counter-air sorties from Manchurian bases alone, may be responsible for the cessation of airfield construction activity in North Korea. (S CINCPAC Telecon 5062, 20 Aug 51).

16. North Koreans reported to have received jet aircraft, tanks and naval craft from the USSR: [redacted] to have supplied the following information: The North Korean air force received 60 MIG jets, in early August, concurrent with the return of 165 North Korean pilots from Soviet training; 270 tanks were received prior to mid-August with the intention of equipping a tank division for each North Korean corps; the North Korean navy requested a transfer of "ships" from the Soviet Union. [redacted] 25X1A

Comment: Although the amount of equipment received and pilots trained is unconfirmed, it is known that the USSR is continuing to supply needed heavy weapons in small amounts and is training personnel in Manchuria or in the USSR to utilize such equipment. It is considered doubtful that any North Korean request for naval craft would be granted by the USSR.

17. Communists again claim UN violation of Kaesong's neutrality: North Korean General Nam Il on 19 August lodged a formal complaint alleging

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violation of the Kaesong neutral area by "over 30 armed men of your side" who ambushed a Chinese Communist patrol. An immediate investigation of the incident by the UN military command "failed to identify the armed bands as belonging to any UN command military formation." However, the UN communique concerning the investigation raised the "possibility....that the shooting was the work of a politically guided civilian group operating under instructions to create an atmosphere of tension which would tend to support the breaking off of the current military armistice conference." (R FBID, AFP Tokyo, 20 Aug 51; R FBID, NCNA Peiping, 20 Aug 51).

Comment: Kaesong and the surrounding countryside has been an area of operations for anti-Communist and ROK guerillas since late in 1950. There is no evidence available indicating that this incident was instigated by the ROK.

18. JAPAN. Opposition parties agree to participate in treaty conference: The opposition parties have agreed to participate in the Japanese peace treaty conference, according to Reuters. The Democrats will have one member as a delegate, one as an alternate, and two on a 12-man Diet mission that will accompany the delegation. The Socialist party will be represented by two members on the Diet mission. (R FBID, Reuters Tokyo, 18 Aug 51).

Comment: Decision of the opposition to participate will strengthen the delegation in the eyes of the participating Allied nations, should make the treaty more acceptable to the Japanese public, and should weaken political attacks on the government. By not participating in the main delegation, however, the Socialists apparently are preserving their opportunity to oppose the government on this issue after the signing.

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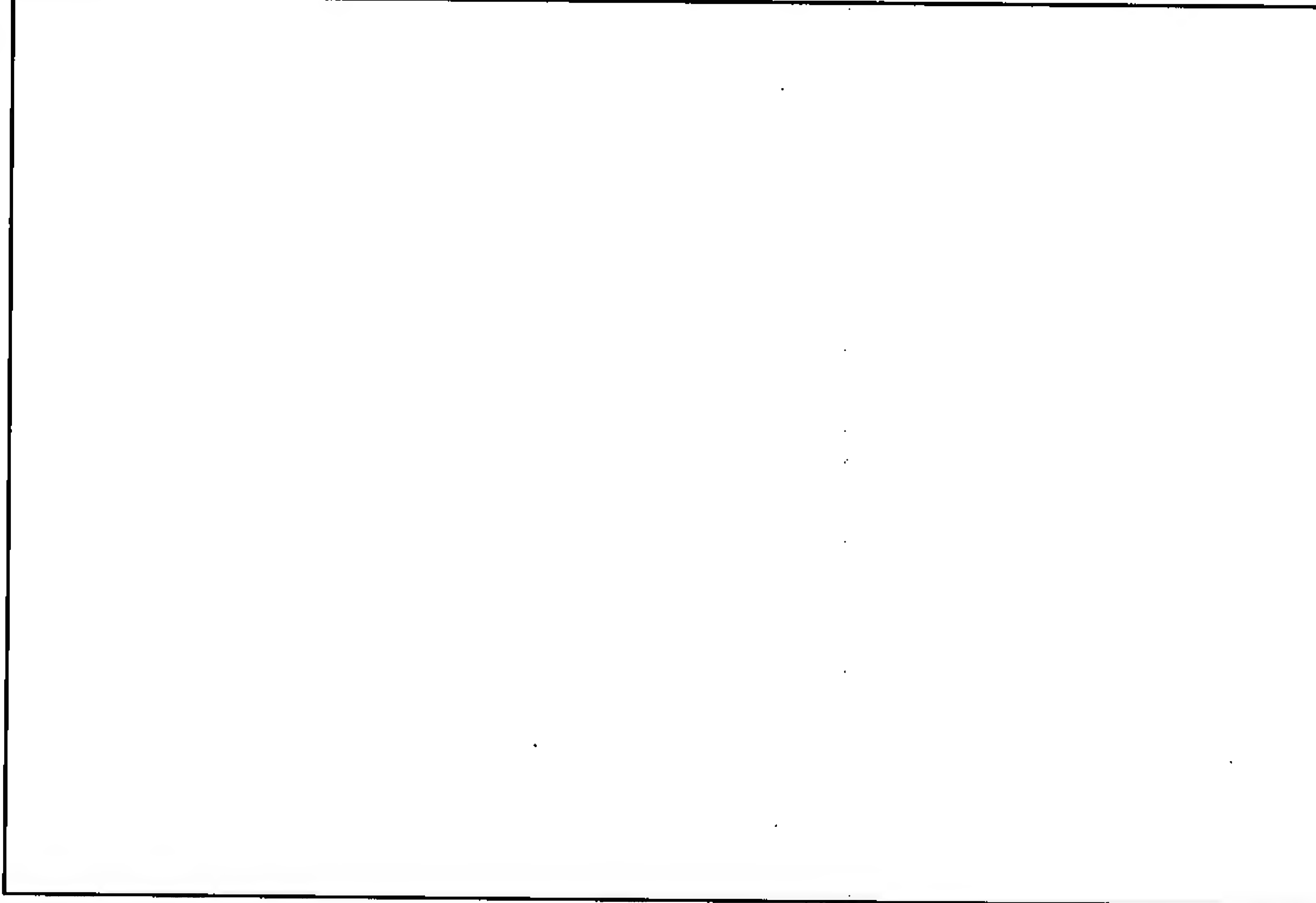
SECTION 3 (WESTERN)

1. GERMANY. Coal trains to West Berlin are stopped by East Germans: The East German-controlled Reichsbahn suddenly refused to permit the movement of extra coal trains to Berlin on 17 August, stating that the rail paths were needed to move the harvest, and that Berlin has enough coal. These trains had been carrying over 15,000 tons of coal a week from the Ruhr to West Berlin, by agreement between the East and West Germans. (C Berlin 267, 18 Aug 51).

Comment: This move may be a Soviet retaliation to the West's action in bringing legal east-west German trade to a halt on 3 August. The retaliation was probably deferred until the Berlin Youth Festival was nearly over. In January of this year, the East Germans closed the Mittelland canal lock, through which Ruhr coal had previously moved, and since that time coal shipments to Berlin have been difficult. West Berlin's coal stockpile is sufficient for about three months.

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3. AUSTRIA. Union of Independents purges press. The press service of the Union of Independents (VDU) announced on 14 August that the bi-weekly paper, Der Angriff (The Attack), is no longer associated with the VDU. The publisher and editor of the paper has been expelled from party ranks for disloyalty. Der Angriff will be replaced by a new publication, Die Arbeiterfront (Workers' Front). (R FBIS-Graz radio, 14 Aug 51)

Comment: Austria's burgeoning "fourth party", which has long had press troubles with the occupation authorities because of its allegedly neo-Nazi and openly anti-Soviet editorial policies, appears to have acquired internal press troubles. The establishment of a working class publication is significant of recent efforts of the VDU to retain and enlarge its following among labor, after the recent presidential elections demonstrated the existence of such a following. The VDU aspires to develop a broad, supra-party base, and seems willing, therefore, to sacrifice a militant approach.

4. Minister of Interior foresees period of internal calm: Minister of the Interior Helmer has informed High Commissioner Donnelly that, in his personal view, no new world crisis need be anticipated prior to next June. He regards the internal situation in Austria as similarly stabilized and believes the government competent to meet any Communist disturbances. The Minister, however, expects Communist efforts to create unity fronts in the September trade union elections, and warns that further economic deterioration would contribute to Communist success. He has no evidence of increased Soviet military activities, but reports that the Soviets are bringing quantities of road building equipment into Austria. (S Vienna 8774, 16 Aug 51)

Comment: Minister Helmer did not disclose the source of his general optimism, and, on the whole, his capacities as a world-prognosticator may be discounted. Allied observers--particularly on the occasion of the Communist riots in Vienna last fall--have not fully shared Helmer's belief that his police force is a match for any Communist challenge; his sanguine attitude should perhaps, be considered in conjunction with Foreign Minister Gruber's pressure for resumption of Austrian treaty talks. Helmer's Socialists have previously charged that blame for the current economic crisis--the meat shortage--rests upon the Ministry of Agriculture, headed by People's Party Minister Kraus.

5. NETHERLANDS. Anti-US feeling in the Netherlands is growing: The US Ambassador to The Hague states that confidential and informal reports from unofficial US observers reveal a growing feeling of resentment toward the US on the part of the Dutch, who allege that US political

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and economic policy is becoming "increasingly dictatorial and arbitrary as respects Europe."

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[redacted] a high-ranking Dutch Government official in the Ministry of the Interior declares his intention of cooperating fully with the US in international agreements aimed at the USSR, despite the possible opposition of his government. He implied that several Cabinet members fear that US actions might become "so aggressive as to provoke war," an attitude characterized by the source as "falling for Communist propaganda." (C Hague 180, 17 Aug 51; [redacted] 17 Aug 51)

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Comment: Although there is evidence of a growing anti-US feeling in the Netherlands, it can hardly be considered as stemming entirely from Communist propaganda. The Dutch, faced with a worsening economic situation, have given a bad press to the Kem Amendment and the recently-announced ECA Productivity Program. The Netherlands undoubtedly fears that the loss of its voice in world affairs would force the country to abide by the decisions of the big powers.

The ever-present Dutch resentment against the US role in achieving Indonesian independence is currently accentuated by the Indonesian demands for revision of the Dutch-Indonesian agreements and the transfer of Netherlands New Guinea to Indonesia. Dutch cooperation in US policies probably will be harder to achieve in the future, and the current anti-US attitude may jeopardize implementation of the Dutch defense program.

6. UNITED KINGDOM. Britain sceptical of proposed Palestine Commission conference: The Foreign Office has displayed "chill scepticism" toward the proposed meeting of the Palestine Conciliation Commission (PCC) in Paris on 10 September, and has in effect instructed British representatives in Middle East capitals to make only general replies to queries regarding the meeting. The Foreign Office considers the invitation to the meeting ill-timed, and emphasizes the need for a preparatory "educative process" in the Middle East. The Foreign Office indicates concern that the UK, though not a member of the Commission, failed to receive advance notice of the impending invitation; and it also questions the practicability of a number of the proposals to be suggested at the conference. (C London 936, 17 Aug 51)

Comment: The proposed meeting of the PCC is intended to bring together representatives of Israel and the Arab States in an endeavor to promote the solution of at least some of the problems currently vexing their relations. The impatience displayed by the Foreign Office reflects

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the deep concern currently felt in the UK over what is regarded as a general weakening in the entire British position in the Middle East over the past six months, and suggests that the Foreign Office is for the moment not disposed to be conciliatory on any Middle Eastern questions.

- 25X1A 7. COLOMBIA. Communists collecting detailed personal information on Colombian diplomatic and consular representatives: In accordance with instructions from the Cominform, Colombian Communist leaders are collecting information on the diplomatic and consular representatives of Colombia in the US, UK, and France. The information desired includes detailed knowledge of the subject's debts, vices, and weaknesses.

Comment: This is the first report that such instructions have been issued to any Latin American Communist Party. Colombian Communists would probably be capable of performing the assigned task.

8. CUBA. Death of Chibas probably will not bring serious political repercussions: The death of Senator Eduardo Chibas y Rivas, leader of the "Ortodoxo" party, and 1952 presidential aspirant, probably will not bring serious repercussions to the political situation in Cuba. Chibas shot himself on 5 August after a weekly broadcast in which he called on the people to awaken to what he called corruption in the government. Had Chibas lived, he probably would have had little chance to secure the presidency due largely to his proven instability.

Once considered the leading presidential aspirant and "the man to beat", Chibas derived his strength, at least in part, from the fact that the government had not yet decided on a candidate. Recently his position began to deteriorate as certain segments of his party began working in harmony with Communist leaders. More recently Chibas' prestige suffered considerably as a result of his failure to prove charges of graft against Minister of Education Sanchez Arango and several other government officials.

Chibas' concentrated campaign to discredit the government and create distrust of all its acts did have some effect on the general public. However, it appeared that public reaction was redounding more in favor of ex-president Batista, another presidential aspirant, than to Chibas himself. Many Cubans who applauded Chibas for berating the government rather than for any qualities he may have had as a statesman, apparently were giving their support to other candidates as election time approached.

While some Orthodoxos will now return to the government group, the opposition leader Batista will probably derive the most benefit from the passing of Chibas.

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CENTRAL INTELLIGENCE AGENCY

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SECTION 2 (EASTERN)

1. EGYPT. Foreign Minister again insists denunciation of treaty with Britain is imminent: The Egyptian Foreign Minister has again informed the US Ambassador in Cairo that he thinks he will formally announce Egyptian abrogation of the 1936 Anglo-Egyptian treaty before the end of the Egyptian Parliament's present session. (TS, S/S Cairo 216, 18 Aug 51; U News Ticker, 19 Aug 51).

Comment: The Egyptian Foreign Minister, according to his various statements, apparently cannot decide on a date for the treaty's denunciation. A few days ago he told the US Ambassador that he intended to delay abrogation until probably October. The Egyptian press is quoted on 19 August to the effect that the Foreign Minister would not denounce the treaty during the present session of parliament which will be concluded within a few days.

2. SYRIA. Syrian Prime Minister issues statements favorable to the West: The new Syrian Prime Minister has issued statements to the local press which reveal a favorable attitude toward the West. He is quoted as saying: "Arabs cannot face the dangers of this perplexed world alone. Neutrality is imaginary when we are weak.... I do not advocate alignment with the Western bloc for love of this bloc, but to repel the dangers threatening my country."

The Prime Minister, however, also has cautioned that there is a great difference between his beliefs and government policy formulated by the Cabinet. (C, S/S Damascus 94, 16 Aug 51).

Comment: The forthright and realistic statements attributed to the Prime Minister are in sharp contrast to the neutralism and open anti-Westernism so commonly voiced in Syria. The Army and its Chief of Staff are the real rulers of Syria; there is no evidence that they have assumed a pro-Western attitude.

3. IRAN. Internal opposition to the present Iranian Cabinet reportedly developing: Mullah Kashani, a top religious leader in Iran, is reportedly involved in a campaign to undermine the present Prime Minister. Kashani, [redacted] has indirect contacts with the Soviet Embassy. He is represented as having told the embassy that, with the government facing an imminent financial crisis, now is a "propitious" time to show Soviet good will by returning the Iranian gold it has held since its occupation of Iran during World War II. Other reports state that he is interested in the abolition of the monarchy as a useless anachronism and the establishment of a federation of Islamic republics under Soviet influences.

Comment: Kashani is a rabble-rouser and an opportunist. Presumably,

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Kashani's efforts to secure the return of Iranian gold would imply the institution of a government more amenable to Soviet influence. Contacts between Kashani and the USSR have been rumored before.

While he has continued to support the present Prime Minister to whose National Front Party he belongs, Kashani has recently been particularly vocal in urging a united Islam, and these speeches may have given rise to the above report.

The opposition of various Iranian elements hostile to the present government is not yet sufficiently strong to bring about the fall of the Prime Minister.

25X1A

4. IRAN. National Front Deputies reportedly urge continuation of oil talks: 25X1A
Three National Front Deputies have agreed to urge Prime Minister Mossadeq not to break off the current Iranian-British oil discussions, [REDACTED]
[REDACTED]

Comment: The three men mentioned have all been ardent supporters of oil nationalization. If this report is correct -- and it may well be, since an increasing number of Iranians apparently now favor coming to some sort of agreement with the UK in the oil dispute -- it would seem to indicate that the move toward settlement of the oil question had penetrated the Prime Minister's own party.

5. PAKISTAN. Government accepts invitation to Japanese Peace Conference:
Pakistan's acceptance of an invitation to the San Francisco Conference has "gone forward," according to Sir Zafrullah Khan, the Foreign Minister. Sir Zafrullah hopes to head the delegation if conditions in Pakistan permit him to leave the country. (C, S/S Karachi 173, 17 Aug 51).

6. INDOCHINA. Britain now willing to invite Indochinese states to Japanese treaty conference: The UK Government has instructed its High Commissioner in India to inform the GOI that, having "duly noted the views of the Indian Government," the UK nevertheless finds it desirable to invite the Associated States to the San Francisco conference. (C, S/S State to London 1042, 18 Aug 51).

Comment: The altered position of the UK, which has previously been reluctant to invite the Associated States in view of India's unfavorable attitude, virtually assures the attendance of the Associated States at the conference.

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25X1X 7.

CHINA. Peiping's Foreign Office reaffirms position on Japanese peace treaty: [redacted] on 16 August that he had been called to the Ministry of Foreign Affairs to receive a copy of Premier Chou En-lai's 15 August statement on the Japanese peace treaty. The ministry's spokesman emphasized to the charge the importance of the concluding paragraphs of Chou's statement. (S, S/S The Hague 189, 17 Aug 51).

Comment: The last three paragraphs of the Chou statement declare that, if Communist China does not participate in the "preparation, drafting and signing" of a Japanese peace treaty, Peiping will consider the treaty "illegal" and "null and void." These paragraphs also express agreement with the Soviet position that a peace conference should include all the states whose armed forces were in conflict with Japan in World War II, and affirm that Peiping is prepared to "exchange views" on a Japanese peace treaty with all such states.

Chou's speech suggests the possibility that, after the San Francisco conference, Moscow and Peiping will call a separate conference of the Soviet bloc and those nations that do not sign the US-UK draft treaty at San Francisco.

SECTION 3 (WESTERN)

8. NETHERLANDS. Dutch are dissatisfied with the present Japanese peace treaty draft: The Dutch Foreign Affairs Minister is somewhat doubtful whether his country will sign the present draft of the Japanese treaty, especially if the Indonesians refuse to sign it. He hopes that some revision will be possible at the San Francisco conference, despite the US and UK statements that the draft is "final." Certain modifications of Article 14 (reparations) would make the treaty acceptable to the Dutch. (S, S/S The Hague 187,

Comment: The Dutch fear that the reparations clause as it now stands will result in the Netherlands being responsible for the claims of its citizens who suffered from the Japanese occupation of Indonesia. Other reports indicate that, even though the Dutch demands for revision are not acted upon, the Netherlands may sign the treaty with reservations.

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